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SUBJECT: JORDAN SCENESETTER FOR CODEL SCHIFF

¶1. (SBU) Summary: Embassy Amman welcomes the June 27-30 visit to Jordan of Codel Schiff. The Codel's visit comes at a time of heightened expectations of Middle East peace. The President's Cairo speech and PM Netanyahu's response are foremost on the minds of your interlocutors. Domestically, parliament is considering several crucial yet controversial economic reforms as the impact of the global financial crisis is starting to sink in. End Summary.

Foreign Policy

¶2. (SBU) King Abdullah remains focused on the Israeli-Palestinian dispute. He has publicly stated that lack of progress on this issue poses the greatest threat to stability in Jordan and the region. He remains a resolute advocate of a two-state solution and has responded positively to his engagements with SE Mitchell. The King supports Palestinian Authority President Mahmoud Abbas, whom he considers the legitimate representative of Palestinians in both the Gaza Strip and the West Bank. Jordanian officials consistently express concern that Jordan will be asked to assume some form of responsibility for the West Bank, a proposition the late King Hussein formally abandoned in 1988 and that King Abdullah is determined to resist.

¶3. (SBU) The King and his government have closely monitored regional and domestic reaction to President Obama's Cairo speech and Prime Minister Netanyahu's subsequent address. The President's speech was viewed in Jordan as a welcome gesture and potential turning point in American relations with the Muslim world. Many are now looking for the concrete actions that will translate words into action. Despite PM Netanyahu's acceptance of a two-state solution, his speech was met with dismay. Many Jordanians believe that Israel is unwilling to move forward on peace negotiations.

¶4. (SBU) In Iraq, King Abdullah has supported U.S. goals and frequently talks about his belief that Iraq is on a "long, slow crawl towards the light." The King became the first Arab head of state to visit Iraq since the fall of Saddam Hussein, and Jordan has named an Ambassador to Baghdad, who largely remains in Jordan pending the completion of the Embassy building. Jordan has also agreed to send a senior level Defense Attache to Baghdad in the near future, and PM Nader Dahabi is expected to make his first trip to Iraq soon.

Demographics

¶5. (SBU) Jordan's population of approximately 6 million is split primarily between East-Bank Jordanians and Palestinian-origin Jordanians and their descendants who arrived in Jordan in 1948 after the first Arab-Israeli war and in 1967, following Israel's occupation of the then-Jordanian West Bank. There are approximately 1.9 million UNRWA-registered Palestinian refugees inside Jordan (some of whom live in 13 designated refugee camps). Unofficial estimates put the total Palestinian-origin population as a

slight majority of the population. Many Palestinian-origin Jordanians (including most of the registered refugees) hold Jordanian citizenship, are integrated into Jordanian society, and lead the business sector.

¶6. (SBU) Jordan also hosts numerous Iraqis who have fled the conflict and its after-effects and has made some efforts to extend access to social services to them. The GOJ does not formally classify the Iraqis as refugees, because of concerns that a new permanent refugee populace in Jordan would further erode the demographic position of East Bankers. The GOJ emphasizes that hosting the Iraqis has been a burden on the budget, and has received international aid to ease their already tight fiscal situation. USD 200 million of Jordan's FY 2008 economic assistance supplemental was intended to aid the displaced Iraqis in Jordan. Jordanian officials have previously placed the number of Iraqi refugees between 450,000 and 500,000, but have now backed away from specific numbers of late in the face of estimates from some international organizations and NGOs working with the refugees are significantly lower, perhaps in the 70,000 to 200,000 range.

Jordan's Engagement with the USG

¶7. (SBU) Jordan maintains a close relationship with the USG and benefits from significant strong bilateral military and foreign assistance programs. Jordan received USD 561.4 million in non-military aid in 2008, an increase of 120 percent over 2007, making Jordanians the highest per-capita recipients of foreign assistance. In 2009, the President

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requested USD 365 million in Economic Support Funds (ESF) and USD 335 million in Foreign Military Financing (FMF). Jordan then requested USD 300 million in 2009 supplemental ESF funds and USD 200 million in supplemental FMF to help the country cope with the affects of the global economic downturn during the political reform process. A non-binding Memorandum of Understanding signed in September 2008 outlined U.S. support from 2010 to 2014, proposing USD 360 million per year in ESF and USD 300 million per year in FMF.

The Economy

¶9. (SBU) With a per capita gross domestic product (GDP) of approximately \$3,000 and a population of only six million, Jordan has one of the smallest economies in the region. The country imports 95 percent of its energy and food needs. The U.S. continues to be one of Jordan's leading trade partners thanks to the U.S.-Jordan Free Trade Agreement (FTA), which entered into force in 2001 and takes full effect in 2010, and the Qualifying Industrial Zones (QIZs) which allow duty and quota free access to the U.S. for goods that meet certain rules of origin concerning inclusion of Israeli content. Jordan has seen real GDP growth average around 6 percent in recent years, but that growth is expected to slow in 2009 due to the impact of the global financial crisis. The Government of Jordan (GOJ) has projected the following:

-- Export growth will drop from 38 percent in 2008 to -3 percent in 2009

-- Government revenue will be reduced 7 percent by \$500 million in 2009

-- Tourism growth will drop from 16 percent in 2008 to -2 percent in 2009

-- Remittances from abroad will decline significantly (Remittances, which come primarily from the Gulf countries, were valued at 19 percent of GDP in 2007).

Parliament

¶10. (SBU) Jordan's parliament has few formal powers, and its influence on policy formation is limited. Members of the Senate are appointed by the King directly, and members of the Lower House are elected through a system which under-represents Jordan's majority Palestinian population. MPs cannot write legislation, cannot initiate new spending, and have no formal oversight role. The vast majority of bills which the government sends to parliament are passed without amendment. In practice, most Jordanian parliamentarians are elected to provide services to their constituents in the form of spending on government projects in their areas and patronage positions for members of their tribe in the bureaucracy and military. Recently, however, MPs have started to challenge the government's political positions more openly by amending or defeating legislation.

¶11. (SBU) Parliament is currently in the midst of an extraordinary session, in which an agenda is submitted by the King. That agenda includes complicated and controversial legislation such as overhauls of the tax code and social security system. Our contacts are expecting major amendments that will drastically alter the content of these bills, and worry that they may be defeated outright. Parliament is also debating a law which would expand the political space for civil society organizations -- a key bellwether for political reform that we are watching closely.

Your Visit

¶12. (SBU) The Israeli-Palestinian conflict will likely dominate your discussions in Amman. We are emphasizing the President's commitment to progress in negotiations and the need for regional powers such as Jordan to press both sides for flexibility. On the domestic front, it is important for Jordanian officials to hear that Washington is watching the debate on political reform and expects results.

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